

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 TRSE-00 SS-15 L-03 AID-05 CEA-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02

STR-04 LAB-04 SIL-01 SAM-01 OMB-01 INT-05 FEA-01 IO-13

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TO SECSTATE WASHDC 1946

INFO ALL EC CAPITALS 2529

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E.O. 11652: N/A

TAGS: ENRG, EMIN, CIEC, EEC

SUBJECT: EC OFFICIALS PROVIDE FURTHER COMMENTS ON INTERNATIONAL  
RESOURCES BANK (IRB)

REFS: (A) EC BRUSSELS 9335; (B) STATE 229956

1. COMMISSION DEVELOPMENT OFFICIAL, DIETER FRISCH, WHO HAS  
A CENTRAL ROLE IN DEVELOPING THE COMMISSION POSITION TOWARD  
THE IRB, HAS ELABORATED ON COMMISSION STAFF VIEWS EXPRESSED  
IN REF A. FRISCH, WHO IS ACTIVE IN THE CIEC DEVELOPMENT  
COMMISSION, BELIEVES THE G-19 WILL NOT SUPPORT THE IRB AS  
IT IS CURRENTLY PROPOSED BECAUSE THE G-19 FEELS IT IS NOT  
SUFFICIENTLY RESPONSIVE TO LDC INTERESTS. FRISCH ADDS THAT,  
ALTHOUGH MEMBER STATES SUPPORT THE CONCEPT OF THE IRB,  
SEVERAL HAVE RESERVATIONS REGARDING SPECIFIC PROVISIONS AND  
WOULD LIKE TO BROADEN THE SCOPE OF ITS PROPOSED OPERATIONS.

2. FRISCH SAYS THAT THE G-8 SHOULD BE REALISTIC TOWARD WHAT  
THE G-19 IS LIKELY TO SUPPORT IN THE CIEC CONCLUSIONS  
REGARDING THE IRB. AS AN OPTIMUM, THE CONCLUSIONS MIGHT  
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CONTAIN A BRIEF STATEMENT SAYING THAT CIEC FAVORS THE CONCEPT

OF AN IRB; CIEC MIGHT SUGGEST THAT THE APPROPRIATE INTERNATIONAL INSTITUTION EXAMINE THE PROPOSAL. THE STATEMENT MIGHT ALSO INCLUDE SEVERAL POINTS TO HELP ORIENT SUCH A FUTURE EXAMINATION. FRISCH WARNS, HOWEVER, THAT IN HIS VIEW SUCH A STATEMENT IS NOT OBTAINABLE UNLESS THE CURRENT PROPOSAL IS AMENDED. HE HAS PREPARED A STAFF PAPER WHICH THE COMMISSION AND MEMBER STATES WILL TAKE UP THE WEEKS OF SEPTEMBER 27 AND OCTOBER 4 RESPECTIVELY. HOPEFULLY THE EC WILL BE ABLE TO INFORM US OF ITS VIEWS BY ABOUT OCTOBER 7 OR 8.

3. FRISCH OUTLINED FOR US SEVERAL IDEAS CONTAINED IN THE STAFF PAPER. HE BELIEVES THESE IDEAS HAVE SUPPORT AMONG MOST COMMISSION AND SOME MEMBER STATES OFFICIALS. THE IRB SHOULD HELP SAFEGUARD THE INTERESTS OF BOTH INVESTORS AND THE HOST LDC'S. FOR EXAMPLE, THE LDC'S SHOULD HAVE RIGHTS TO AN APPEAL PROCEDURE SHOULD AN INVESTOR FAIL TO MEET ITS CONTRACTURAL OBLIGATIONS, INCLUDING PERHAPS FAILING TO MEET AGREED UPON EXPORT LEVELS OR FAILING TO CARRY OUT AGREED UPON INVESTMENT ACTIVITIES. INVESTMENT CONTRACTS INVOLVING THE IRB MIGHT ALSO ENCOURAGE LDC'S TO INCREASE PROGRESSIVELY THEIR EQUITY PARTICIPATION IN SUCH INVESTMENTS. THE IRB GUARANTEE FUNCTIONS MIGHT ALSO BE BROADENED TO INCLUDE SUCH ACTIVITIES AS RAW MATERIAL PROCESSING BEYOND JUST THE INITIAL STAGE OF PROCESSING, PETROLEUM EXPLORATION AND DEVELOPMENT OF ALTERNATIVE SOURCES OF ENERGY. FRISCH NOTES THAT BECAUSE OF CAPITAL LIMITATIONS AND A DESIRE NOT TO OVEREXTEND THE IRB, THE US TENDS TO TAKE A CAUTIOUS APPROACH TOWARD HEAVY PARTICIPATION IN LARGE PROJECTS. HINTON

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